

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

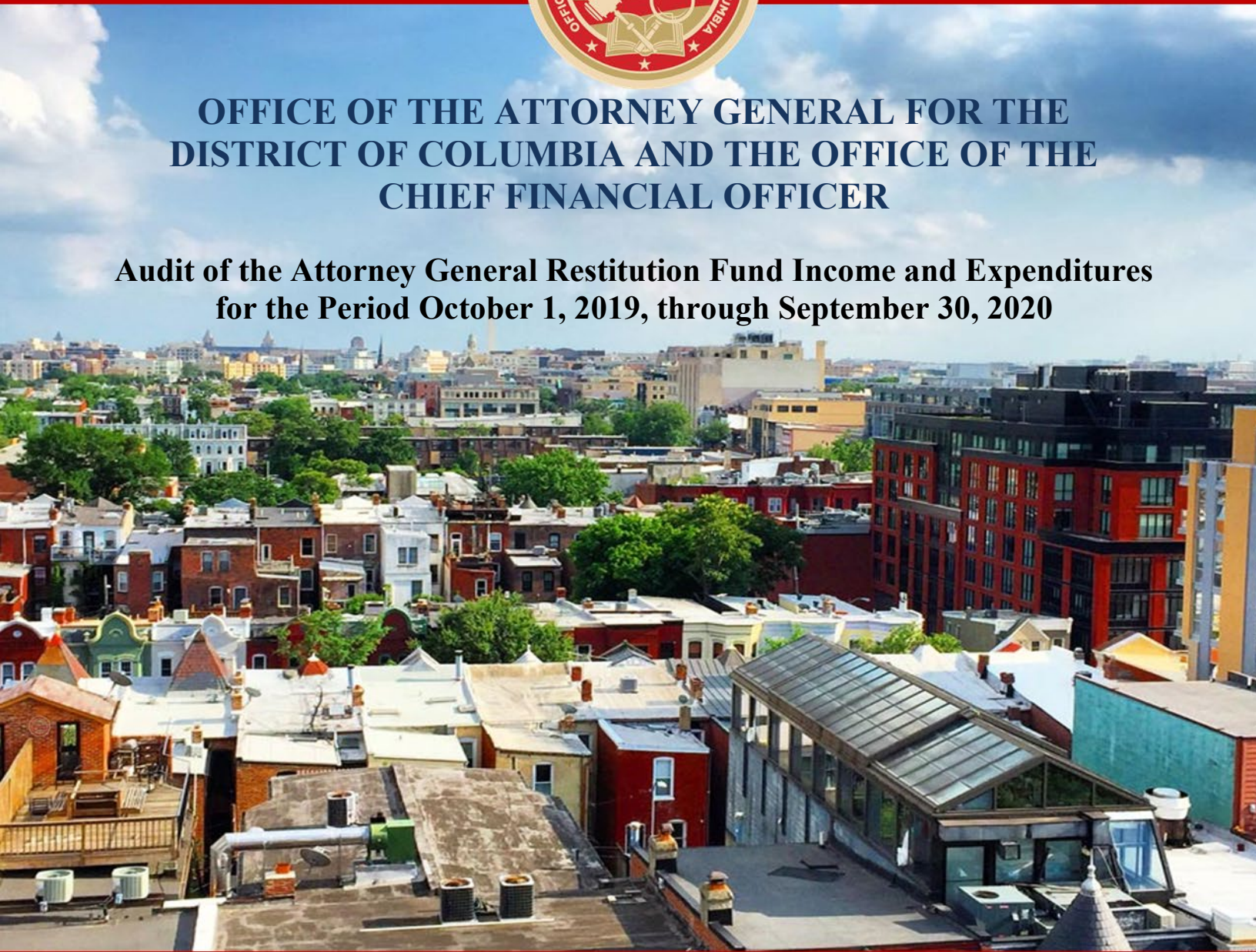
OIG Project No. 21-1-22CB

August 2021



## OFFICE OF THE ATTORNEY GENERAL FOR THE DISTRICT OF COLUMBIA AND THE OFFICE OF THE CHIEF FINANCIAL OFFICER

**Audit of the Attorney General Restitution Fund Income and Expenditures  
for the Period October 1, 2019, through September 30, 2020**



### *Guiding Principles*

*Workforce Engagement \* Stakeholders Engagement \* Process-oriented \* Innovation  
\* Accountability \* Professionalism \* Objectivity and Independence \* Communication \* Collaboration  
\* Diversity \* Measurement \* Continuous Improvement*

## **Mission**

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## **Vision**

Our vision is to be a world-class Office of the Inspector General that is customer-focused and sets the standard for oversight excellence!

## **Core Values**

Excellence \* Integrity \* Respect \* Creativity \* Ownership  
\* Transparency \* Empowerment \* Courage \* Passion  
\* Leadership



GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



OIG

August 2, 2021

The Honorable Karl A. Racine  
Attorney General  
Office of the Attorney General for the District  
of Columbia  
441 4th Street, N.W., Suite 1100 South  
Washington, D.C. 20001

Fitzroy Lee, Ph.D.  
Interim Chief Financial Officer  
Office of the Chief Financial Officer  
1350 Pennsylvania Avenue, N.W., Room 203  
Washington, D.C. 20004

Dear Attorney General Racine and Interim Chief Financial Officer Lee:

Enclosed is our final report, *Audit of the Attorney General Restitution Fund Income and Expenditures for the Period October 1, 2019, through September 30, 2020* (OIG Project No. 21-1-22CB). Our audit objectives were to determine whether the Office of the Attorney General (OAG) (1) received and deposited revenues into the Fund account, (2) used the money for authorized purposes, and (3) deducted any excess funds from the award for money owed to the District as required by D.C. laws and regulations. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). The audit was included in our *Fiscal Year 2021 Audit and Inspection Plan*.

In accordance with GAGAS, we are required to report all deficiencies that are significant deficiencies or material weaknesses in the operating effectiveness of internal control that have a material effect on the Fund's income and expenditures. Our examination of financial and operational records for the Fund's income and expenditures did not disclose any reportable weaknesses or deficiencies in the operating effectiveness of internal control. As a result, the OIG will not need to solicit management comments on this report.

We appreciate the cooperation and courtesies extended to our staff during this review. If you have any questions concerning this report, please contact me or Fekede Gindaba, Assistant Inspector General for Audits, at (202) 727-9770.

Sincerely,

A handwritten signature in blue ink, appearing to read 'DWL' followed by a stylized flourish.

Daniel W. Lucas  
Inspector General

DWL/cmw

Enclosure

cc: See Distribution List

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## **BACKGROUND**

Legislation creating the Attorney General Restitution Fund (Fund) was introduced to the Council of the District of Columbia's Committee on the Judiciary and Public Safety during the Fiscal Year 2018 performance and budget oversight period. The Fund was established to provide a mechanism for the District to collect and distribute awards for restitution payable to consumers harmed by unlawful trade practices.

Upon receipt of revenue resulting from a restitution award for property loss or damages suffered by consumers, the Office of the Attorney General (OAG) is required to locate each person entitled to receive an award, ensure that any outstanding debts to the District are paid, and distribute the remaining amounts to these individuals.

OAG treats any amount that remains after all claims are paid as unclaimed property unless otherwise directed by court order, judgment, or settlement. Furthermore, any funds appropriated in the Fund shall be continually available and subject to authorization in an approved budget and financial plan.

The objectives of this audit were to determine whether OAG (1) received and deposited revenues into the Fund account, (2) used the money for authorized purposes, and (3) deducted any excess funds from the award for money owed to the District as required by D.C. laws and regulations. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS).

## **FINDINGS**

### **INCOME RECEIVED AND DEPOSITED TO THE ATTORNEY GENERAL RESTITUTION FUND**

D.C. Code § 1-301.86c(b) requires that revenue OAG receives from the following awards shall be deposited into the Attorney General Restitution Fund:

- (1) Awards of restitution for property loss or damages suffered by consumers made under a court order, judgment or settlement in any action or investigation under § 28-3909(a);<sup>1</sup> and
- (2) Awards on behalf of an aggrieved employee made under a court order, judgment, or settlement in any action or investigation under § 32-1306(a)(2)(A)(iii).<sup>2</sup>

From October 1, 2019, to September 30, 2020, OAG collected and deposited \$3,584,786 in revenue to the Fund account in accordance with D.C. Code § 1-301.86c(b)(1). Our review of Fund income activities indicated that OAG received checks from various entities during the review period (see Table 1 next page).

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<sup>1</sup> D.C. Code § 28-3909(a) authorizes the Attorney General for the District of Columbia to bring an action in D.C. Superior Court to obtain injunctions prohibiting certain acts, methods or practices that are not in the public's interest, and requiring violators to take affirmative action, including the restitution of money or property.

<sup>2</sup> D.C. Code § 32-1306(a)(2)(A)(iii) authorizes the Attorney General for the District of Columbia to bring a civil action against an employer or any other person who violates certain labor laws for restitution or injunctive, compensatory, or other authorized relief for any individual or the public at large.



**Table 1: Fund Income**

<b>Entity</b>	<b>Award Description</b>	<b>Amount Collected and Deposited</b>
1	Consent order in an unlawful trade practice consumer protection case.	\$1,948,643
2	Consent order in an unlawful trade practice consumer protection case.	\$753,938
3	Consent order in an unlawful trade practice consumer protection case.	\$680,905
4	Consent order in an unlawful trade practice consumer protection case.	\$114,966
5	Parties entered into a Settlement Agreement.	\$56,851
6	Consent order in an unlawful trade practice employee protection case.	\$2,000
7	Unclaimed Restitution Fund balance.	\$15,026
8	Prior Outstanding Award as of 9/30/2019.	\$12,457 <sup>3</sup>
<b>Total Amount Collected and Deposited</b>		<b>\$3,584,786</b>

Source: OIG Analysis of OAG's Memorandum of Deposit Records.

<sup>3</sup> OAG collected \$12,326 of the \$47,336 restitution award amount that was in the process of collection as of 9/30/2019. The additional \$130.50 collected was the amount of an erroneous duplicate payment that OAG recovered as a result of our prior year audit recommendation.

## EXPENDITURES FROM THE ATTORNEY GENERAL RESTITUTION FUND

D.C. Code § 1-301.86c(c) states money in the Fund shall be used for the following purposes:

- (1) The payment of awards as required by court order, judgment, or settlement in an action or investigation OAG conducts under § 28-3909(a) or § 32-1306(a)(2)(A)(iii); and
- (2) The payment of costs and expenses related to maintaining the Fund, including costs associated with the claims process described in this section's subsection (e).

From October 1, 2019, to September 30, 2020, OAG planned to distribute or distributed \$484,594 from the Fund for payments authorized under D.C. Code § 1-301.86c(c)(1). The OIG noted no recorded costs and expenses related to maintaining the Fund, including costs associated with the claims process (see Table 2 below).

**Table 2: Fund Expenditure Activity**

<b>Award Paid</b>	<b>Amount</b>
Consent award in an unlawful trade practice consumer protection case and prior year unclaimed fund balance.	\$88,493
Accrued expenditures for consent order in an unlawful trade practice consumer protection case. <sup>4</sup>	\$396,101
<b>Total Fund Expenditure</b>	<b>\$484,594</b>

Source: OIG Analysis of Fund Expenditures.

<sup>4</sup> OAG completed a process of identifying the consumer information needed to disburse the funds, but the award had not been paid as of 9/30/2020.

## ATTORNEY GENERAL RESTITUTION FUND'S UNCLAIMED BALANCE

D.C. Code § 1-301.86c(e)(3) requires that any excess funds remaining from the award after a recipient has been located, amounts are deducted from the award for money owed to the District, and the OAG applies part of the award toward the costs and expenses of maintaining the Fund and conducting the claims process be treated as unclaimed property pursuant to Title 41 D.C. Code, Chapter 1 (Personal Property).

As of September 30, 2020, the Fund's unclaimed balance was \$3,301,377 (see Table 3 below).

**Table 3: Unclaimed Fund Balance as of September 30, 2020**

<b>Description</b>	<b>Unclaimed Balance as of September 30, 2019</b>	<b>Award Received</b>	<b>Award Paid</b>	<b>Award Accrued</b>	<b>Unclaimed Balance</b>
Prior Year Unclaimed Fund Balance	\$201,185	\$27,483	\$81,848		\$146,820
Consent order in an unlawful trade practice employee protection case.		\$2,000			\$2,000
Consent order in an unlawful trade practice consumer protection case.		\$753,938		\$396,101	\$357,837
Consent order in an unlawful trade practice consumer protection case.		\$114,966	\$6,645		\$108,321
Consent order in an unlawful trade practice consumer protection case.		\$680,905			\$680,905
Parties entered into a Settlement Agreement.		\$56,851			\$56,851
Consent order in an unlawful trade practice consumer protection case.		\$1,948,643			\$1,948,643
<b>Sub-Total</b>	<b>\$201,185</b>	<b>\$3,584,786</b>	<b>\$88,493</b>	<b>\$396,101</b>	<b>\$3,301,377</b>
<b>Unclaimed Fund Balance as of September 30, 2020</b>					<b>\$3,301,377</b>

Source: OIG Summary of the Fund's Financial Records.

## **CONCLUSION**

The OIG performed the Attorney General Restitution Fund audit covering the period from October 1, 2019, to September 30, 2020. The OIG examined and reported the Fund's income, expenditures, and balance for the period and reviewed applicable internal controls. Our examination of financial and operational records for the Fund's income and expenditures did not disclose any reportable weaknesses or deficiencies in the operating effectiveness of internal control.

## **APPENDIX A. OBJECTIVE, SCOPE, AND METHODOLOGY**

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The OIG conducted this audit to determine whether OAG: (1) received and deposited revenues into the Fund account; (2) used the money for authorized purposes; and (3) deducted any excess funds from the award for money owed to the District as required by D.C. laws and regulations. We conducted our audit fieldwork from March 2021 to June 2021 in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The OIG conducted this audit to examine the income and expenditures of the Attorney General Restitution the Fund for the Period October 1, 2019, to September 30, 2020. We met with officials of the OAG Office of Consumer Protection and OCFO to understand the environment in which the Fund was managed. We coordinated with accounting personnel of OCFO to review the accounting procedures they perform for the operation of the Fund.

We reviewed internal controls within the Office of Consumer Protection and OCFO applicable to the Fund. We obtained copies of the accounting entries of the Fund. We analyzed them for conformity with accounting principles generally accepted in the United States and presented accounting results as required by the legislation creating the Fund.

We assessed the validity and reliability of computer-processed data and performed limited existence and completeness tests to verify the data's accuracy.

## **APPENDIX B. ACRONYMS AND ABBREVIATIONS**

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D.C.	District of Columbia
DCMR	District of Columbia Municipal Regulations
GAGAS	Generally Accepted Government Auditing Standards
OAG	Office of the Attorney General
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General



## APPENDIX C. Status of Prior Year Recommendations

On August 26, 2020, the OIG issued its report and made three recommendations in total, two to the OAG and one to the OCFO. Table 4, below, summarizes the OIG's follow up on the recommendations issued in 2020 during this audit.

**Table 4: Status of Prior Year Recommendations**

Report	Finding	Recommendations	Agency Response	Recommendation Status
Audit of the Attorney General Restitution Fund Income and Expenditures for the Period July 1, 2018, through September 30, 2019 (issued August 26, 2020)	Income Received and Deposited to the Attorney General Restitution Fund	1. Establish procedures to record and recognize the full restitution award amount, fewer penalties, and costs as Fund income as required by GASB 33.	Agree	Closed
	Attorney General Restitution Fund was Understated	2. Develop procedures for direct voucher creation, review, and approval activities to prevent duplicate payments.	Agree	Closed
		3. Adjust the Fund balance to account for any amounts identified as duplicate payments and amounts awarded but uncollected.	Agree	Closed

Source: OIG Analysis.